# U.S. Financial Diaries

Income gains and Month-to-Month Income Volatility

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Federal Reserve System Community Development Research Conference **Economic Mobility** Washington, DC. April 3, 2015

#### U.S. Financial Diaries

### **US Financial Diaries**

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### **U.S. Financial Diaries**



#### **CALIFORNIA**

San Jose & environs Urban & rural 46 hh; 78 adults

#### EASTERN MISSISSIPPI Rural 50 hh; 87 adults

OHIO/KENTUCKY Cincinnati & environs Small town & rural 69 hh; 130 adults

#### NEW YORK CITY Brooklyn & Queens Urban 79 hh; 158 adults PRELIMINARY DATA - DO NOT

### **Empirical Progression**

#### **High-frequency data**

Households surveyed every 2-4 weeks







#### INCOME

ASSETS

#### **CASH FLOW**

#### 244 Households 316,763 cash flows

100 spending categories38 income types69 financial instruments

## Illiquidity vs. Insolvency

#### Garza Family Income, N. California





# **Unpredictability and income level**

Self-reports. US Financial Diaries



## Volatility and income level

Coefficient of Variation of Monthly household income. US Financial Diaries

#### Lowess of Volatility (CV) of Monthly Household Income on Income Level (as Percent of SPM)



## Income variabilty: Typical causes

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- Work hours rising and falling
- Lumpy payments (tax refunds, etc.)
- Health problems and emergencies
- Predictable childcare and transportation needs (with uncertain timing and size)
- Shifting household membership

Coefficient of Variation (CV) of Monthly Household Income				
Robustness check		Income % of Supplementary		
		Poverty Threshold		
		All	< 100%	> 200%
Households Below 95 <sup>th</sup> Percentile of CV	Average	0.39	0.55	0.33
	Sample Size	231	64	53
All Households	Average	0.46	0.66	0.38
	Sample Size	244	68	56
High- Grade Households	Average	0.36	0.48	0.31
	Sample Size	124	28	29
Including Tax Refunds in Income	Average	0.51	0.62	0.42
	Sample Size	226	60	52
Excluding Brooklyn Households	Average	0.37	0.51	0.33
	Sample Size	209	50	52
Month Starting on the 8th	Average	0.37	0.52	0.31
_	Sample Size	231	65	53
	Average	0.38	0.55	0.31
Spreading week-Based Income	Sample Size	231	64	53
Combined Robustness Checks	Average	0.32	0.41	0.27
	Sample Size	113	23	28

### Self-reported month to month income variability

SHED - Federal Reserve, 2013 Survey of Household Economics and Decisionmaking (7/14)



SHED: Implemented in 9/2013. Nationally-representative sample. Online panel of 50,000 individuals sampled randomly. 6,912 asked to take the survey. About 60% (4,134) agreed. Quick survey (19 minutes median time)

### Self-reported reasons for income variability

SHED - Federal Reserve, 2013 Survey of Household Economics and Decisionmaking (7/14)





# Spikes and dips

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Income Spikes or Dips Per Household per Year



Effort to align income & spending spikes

→Liquidity constraints